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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1968

No. 1086

MICR-SHIELD COMPANY, MELVIN S. BUROS, and HERBERT A. BUROS,
Petitioners,

vs.

THE FIRST NATIONAL BANK OF MIAMI,
Respondent.

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

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MISCELLANEOUS

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QUESTION PRESENTED FOR REVIEW

Whether the court below applied the proper test in reviewing the factual determinations of the District Court.

STATEMENT

In order to properly assess the review of the evidence by the Court of Appeals several factual assertions made by Petitioners must be placed in context.

First. The patented process is nothing more than the erasure of magnetic ink from a document, with the aid of a solvent. The only difference between the "invention" in suit and old fashioned ink eradication is that one erasing magnetic ink uses (obviously) a solvent for magnetic ink instead of a solvent for ordinary ink.

Second. Petitioners rely on the statement of an industry committee in the very early days of electronic data processing that there was no obvious and universally acceptable solution to the problem of erroneous encoding. Petitioners elevate the casual minutes of this ad hoc committee to the level of an unimpeachable finding of fact. Implicit in Petitioners' argument is the assumption that a court cannot examine for itself the context of the finding and the state of the art.

In fact the problem of erroneous encoding has never been solved. Petitioners assert that banks used a variety of unsatisfactory error correction devices (stickers, substitute documents, carrier envelopes, etc.) when, like a revelation, the "Buros method" solved everybody's problem and replaced the former suddenly obsolete methods. As a matter of fact, Petitioners' own expert confirmed that every one of the "old" methods is still in use (R. 73), that the Buros method is not a complete solution to the problem of erroneous encoding, and that it is only a partial solution to be used in some instances (R. 74).

At Respondent's bank only about one percent of all corrections are made by erasing and the remainder are made by the use of substitute documents (R. 265). An officer of Republic National Bank of Dallas concluded (R. 826) "We still don't have a satisfactory way of correcting these errors."

It is clear from the record in this case that the conclusion reached by the committee (R. 349) would still be reached today by a similar committee:

> "It became apparent that no one completely acceptable solution to the problem was available."

REASONS WHY THE WRIT SHOULD NOT BE GRANTED

This Court in 1966 articulated in considerable detail the various tests of patentability, with special stress on the requirement of nonobviousness. *Graham* v. *John Deere Co.*, 383 U. S. 1. The Court noted in *Graham* (p. 17), that while the ultimate question of patent validity is one of law, the requirement of nonobviousness "lends itself to several basic factual inquiries."

The Court below cited (at p. 7 of Petitioners' Appendix) as the two factual inquiries to which the "clearly erroneous" rule applied only the scope and content of the prior art and the difference between the prior art and the claims in issue. The Court below did not apply the "clearly erroneous rule" to the defense of prior public use, noting that such a defense must be based on evidence that is "clear, satisfactory, and by some it is said beyond a reasonable doubt."

The standard of review thus adopted by the court of appeals is consistent with the decisions of this Court. Petitioners are simply wrong when they assert (at p. 13) that the judgment was affirmed "essentially on the ground that the district court's findings were not clearly erroneous." The opinion of the court of appeals does not in any way indicate that it felt bound, reluctantly or otherwise, to sustain the district court's findings. On the contrary the opinion reflects that the Court critically examined the patents, the expert witness' testimony, and the documents (stipu-

lated authentic) conclusively showing anticipation, and then concluded that the defenses met "the required standard of proof." (A. 10).

The court of appeals noted, for example, that prior patents taught the technique of removing ink by the application of a solvent, and that solvents for magnetic ink were named in prior patents. The Court commented that Petitioners' own expert banking witness testified before the district court that he advised the "inventor" when describing the problem that he (the banker) had tried to remove erroneous encoding by application of a solvent (ink eradicator), but had not selected the correct solvent. The court of appeals noted that Petitioners' own expert chemist had testified that it was a simple chemical problem to select a solvent for magnetic ink.

The foregoing facts relating to obviousness appear properly within the "clearly erroneous" rule as delineated in *Graver Mfg. Co.* v. *Linde Co.*, 336 U. S. 271, 274, and such facts have always been conceded by Petitioners. Both of the courts below *did* recognize that a stricter standard must be met for a finding of prior public use. But the character of proof of prior use meets whatever standard is adopted. Documents stipulated as authentic by Petitioners (R. 488) conclusively establish that International Business Machines Corporation, starting in 1960 (two years before Buros' "invention"), circulated to its field representatives memoranda which described in great detail the exact process patented by Buros. The process was exhibited to at least one bank, Republic National Bank of Dallas, which used the process in its operation (R. 823) 18 months before Buros' discovery. Buros admitted on cross-examination that IBM had anticipated him (R. 105-6), and a complete reading of the IBM exhibits indicates how thoroughly and completely IBM covered the matter. E. g. one memorandum stated (R. 1074):

"The procedure used for erasing the test documents was to lightly wipe over the inscribing using an absorbent, lint-free cotton pad wetted with a solvent." . . . "Preliminary investigation showed that the following solvents gave the best results:

1. Trichloroethylene
2. N. Propyl Acetate
3. Toluol (Toluene)

Other solvents considered were:

1. Bank Rolla (Kerosene type)
2. Ethyl Alcohol
3. Acetone

Trichloroethylene was chosen for testing because of its relative safety over the other solvents giving good results."

It is noteworthy that 1. above, trichloroethylene (Chlorothene Nu), is the solvent which respondent had been using for years to clean ink from its presses, and which was independently selected by respondent for use to erase magnetic ink. (R. 222).

Mr. Moore of IBM testified that in 1959 and 1960 he investigated possibilities for making corrections of post-inscribed amounts (R. 1034); that they used for solvents Energine, Zippo, and carbon tetrachloride (R. 1035); that solvents were applied with cotton, and that enough ink could be removed to leave the document clean enough for reinscribing. (R. 1043-4).

Another IBM document (Def. Ex. 2), stipulated authentic by Petitioners, set forth the details of a demonstration of the process. Mr. Muirhead of Republic National Bank of Dallas, confirmed that IBM demonstrated the

solvent technique in May of 1961. (R. 810). Thereafter the bank used solvents for two to three months. (R. 819). The bank bought Q Tips, cotton Swabs, and a small supply of felt tip pens. (R. 820). The solvent process was used in the operation of the bank (R. 822-3), and the people working on the checks made the decision whether to use the solvent technique. (R. 823).

Mr. William H. Greenfield, a Senior Vice President of Republic National, attended and corroborated the IBM demonstration in March of 1961.

The IBM technique is *identical* to the Buros technique.

IBM (R.1074): Nov. 14, 1960	"The procedure used for erasing the test documents was to lightly wipe over the inscribing using an absorbent, lint free cotton pad wetted with a solvent."
Buros (R. 194-5): Oct. 1962	"I first apply a material that may conveniently be a solvent. . . . The solvent having wetted the document, may now be removed, if desired, in any convenient manner such as for example, by blotting or gentle rubbing."

Such evidence amply justifies the statement by the district court.

Would the judicial administration of patent cases be improved by the amendment of Federal Rules of Civil Procedure 52(a) to exclude patent litigation? We think not. Patentees are fond of stressing the "heavy burden" resting on those attacking a patent; how much easier their task of defense if they could transplant whole to *all* phases of patent litigation the "beyond a reasonable doubt" strictures of the criminal law.

This Court has long recognized the limitations inherent in the *ex parte* patent office approach. The weaknesses in the system are underscored in this case, where an initially rejected patent was issued after submission of voluminous affidavits as to banking industry practices which an examiner could have no possible way of knowing or checking. We think this "ink erasing" patent belongs on that "list of incredible patents which the Patent Office has spawned" to which this Court referred in *Great Atlantic and Pacific Tea Co.* v. *Supermarket Equipment Corp.*, 340 U. S. 147, 156.

We think it eminently correct to apply Rule 52(a) to the scope of the prior art, and differences between the prior art and claims in issue. It is equally correct to require—as did the court of appeals below—that a finding of prior public use be based on evidence that is "clear, satisfactory, and by some it is said beyond a reasonable doubt."

CONCLUSION

The standard of review of findings of fact has been heretofore adequately established by this Court. The courts below correctly followed such standards in finding the Petitioners' patent invalid.

Respectfully submitted,

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